

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE APPLICATION OF
SOUTH EASTERN INDIANA NATURAL GAS
COMPANY, INC. FOR APPROVAL OF
CHANGES IN ITS GAS COST ADJUSTMENT

)
) CAUSE NO. 37785 GCA 64
)
) APPROVED: DEC 20 2006

BY THE COMMISSION:

Gregory D. Server, Commissioner
Lorraine Hitz-Bradley, Administrative Law Judge

On November 8, 2006, in accordance with Indiana Code § 8-1-2-42, South Eastern Indiana Natural Gas Company, Inc. ("Petitioner"), filed its verified Application in this Cause for approval for a Gas Cost Adjustment ("GCA") to be applicable during the months of January, February and March 2007. In conformance with such statute, the Office of the Utility Consumer Counselor ("OUCC" or "Public") filed its report on December 6, 2006.

Pursuant to notice published as required by law, proof of which was incorporated into the record by reference and placed in the official files of the Commission, an evidentiary hearing was held in this Cause on December 11, 2006 at 10:00 a.m., in E-306, Indiana Government Center South, Indianapolis, Indiana. At the hearing, Petitioner and the OUCC presented their respective evidence. No member of the rate paying public was present at the hearing or otherwise sought to testify.

Based upon the applicable law, the evidence presented herein, and being duly advised, the Commission now finds:

1. **Statutory Notice and Commission Jurisdiction.** Due, legal and timely notice of the commencement of the public hearing in this Cause was given and published by the Commission as required by law. The Petitioner operates a public gas utility and as such, is subject to the jurisdiction of this Commission as provided in the Public Service Commission Act, as amended. The provisions of said Act authorize the Commission to act in this proceeding. Therefore, the Commission has jurisdiction over the parties and the subject matter herein.

2. **Petitioner's Characteristics.** Petitioner is a corporation organized and existing under the laws of the State of Indiana, and has its principal office at 106 E. Main Street, P.O. Box 1007, Morristown, IN. It is engaged in rendering natural gas utility service to the public within the State of Indiana and owns, operates, manages, and controls plant and equipment used for the distribution and furnishing of such service.

3. **Source of Natural Gas.** Indiana Code § 8-1-2-42(g)(3)(A) requires Petitioner to make every reasonable effort to acquire long-term natural gas supplies in order to provide service to its customers at the most practical and economical level possible.

The evidence of record indicates that Petitioner continues to purchase its gas supply at market prices and that these purchases allow Petitioner to keep its gas cost low while not jeopardizing the reliability of supply. During this GCA application period, Petitioner intends to purchase 43,889 Dth of fixed contract gas and 28,952 Dth in the open market.

The Commission finds that the requirement of this statutory provision has been fulfilled.

4. **Purchased Gas Cost Rates.** Indiana Code § 8-1-2-42(g)(3)(B) requires Petitioner's pipeline supplier(s) of gas to have required or filed for a change of cost of gas pursuant to the jurisdiction and procedures of a duly constituted regulatory agency. The evidence of record indicates that gas costs in this application include transportation rates that have been filed by Petitioner's pipeline suppliers in accordance with Federal Energy Regulatory Commission (FERC) jurisdiction and procedures. The Commission has reviewed the cost of gas included in the proposed gas cost adjustment charged and finds the costs to be reasonable. Therefore, the Commission finds that the requirement of this statutory provision has been fulfilled.

5. **Return Earned.** Indiana Code § 8-1-2-42(g)(3)(C), in effect, prohibits approval of a gas cost adjustment which results in the Petitioner earning a return in excess of the return authorized by the last Commission proceeding in which Petitioner's base rates and charges were approved. The most recent proceeding in which Petitioner's base rates and charges were approved was in Cause No. 40965-U. The Commission's December 23, 1997 order in that Cause authorized Petitioner to earn a net operating income of \$139,052. Petitioner's evidence indicates that for the twelve (12) months ending August 31, 2006, Petitioner's actual net operating income was \$20,810. Therefore, Petitioner is not earning in excess of that authorized in its last rate case.

6. **Estimation of Purchased Gas Costs.** Indiana Code § 8-1-2-42(g)(3)(D) requires that Petitioner's estimate of its prospective average gas costs for each future recovery period be reasonable. The Commission has determined that this requires, in part, a comparison of prior estimations with the eventual actual costs.

The evidence indicates that the estimating techniques during the reconciliation period of June 2006 through August 2006 (the "Reconciliation Period") yielded an underestimated weighted average error of 7.44 percent. Based upon Petitioner's historical accuracy in estimating the cost of gas, the Commission finds that Petitioner's prospective average estimate of gas cost is reasonable.

7. **Reconciliation.** Indiana Code § 8-1-2-42(g)(3)(D) also requires that the petitioning utility reconcile its estimation for a previous recovery period with the actual purchased gas cost for that period. The evidence established that, during the Reconciliation Period, Petitioner overcollected \$33,791 from its customers. This amount should be included, based on estimated sales percentages, in this GCA and the next three GCAs as a decrease in the cost of gas. The amount of the Reconciliation Period variance to be included in this GCA as a decrease in the estimated net cost of gas is \$16,747.

The variance from prior recover periods applicable to the current recovery period is an under collection of \$98,156. Combining this amount with the Reconciliation Period variance, results in a total under collection of \$81,409 to be applied to this GCA as an increase in the estimated net cost of gas.

Petitioner had unaccounted for gas of \$1,490 which together with a \$12,915 refund from its pipeline supplier merits a refund of \$7,139 in this GCA.

Based on the evidence presented, the Commission finds that Petitioner's proposed GCA properly reconciles the difference between the actual costs for the Reconciliation Period, and the gas costs recovered during the same period.

8. **Resulting Gas Cost Adjustment Factor.** The estimated net cost of gas to be recovered during the application period is \$959,641. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA and Base Rates of \$1,033,911. After dividing that amount by estimated sales, subtracting the base cost of gas, and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCA factor is \$7.0263/Dth. Accordingly, the Commission finds Petitioner's recommended GCA factor should be approved.

9. **Effects on Residential Customers.** The GCA factor of \$7.0263/Dth represents a decrease of \$0.5773/Dth from the current GCA factor of \$7.6036/Dth. The effects of this change for various consumption levels of residential customer bills are shown in the following table:

Table 1
Effects on Residential Customers
New vs. Current

<u>Monthly Consumption Mcf or Dth</u>	<u>Bill At New GCA FACTOR</u>	<u>Bill at Current GCA FACTOR</u>	<u>Dollar Change</u>	<u>Percent Change</u>
5	\$76.24	\$79.12	(\$2.88)	-3.64%
10	\$141.42	\$147.20	(\$5.78)	-3.93%
15	\$206.52	\$215.18	(\$8.66)	-4.02%
20	\$271.62	\$283.16	(\$11.54)	-4.08%
25	\$336.71	\$351.15	(\$14.44)	-4.11%

The GCA factor of \$7.0263/Dth represents a decrease of \$1.8867/Dth from the GCA factor of \$8.9130/Dth billed one year ago in Cause No. 37785-GCA 60. The effects of this change for various consumption levels of residential bills are shown in the following table:

Table 2
Effect on Residential Customers
New vs. One Year Ago

Monthly Consumption [Mcf or Dth]	Bill at New GCA FACTOR	Bill at GCA Factor One Year Ago	Dollar Change	Percent Change
5	\$76.24	\$85.67	(\$9.43)	-11.01%
10	\$141.42	\$160.29	(\$18.87)	-11.77%
15	\$206.52	\$234.82	(\$28.30)	-12.05%
20	\$271.62	\$309.35	(\$37.73)	-12.20%
25	\$336.71	\$383.88	(\$47.17)	-12.29%

10. **Interim Rates.** The Commission is unable to determine whether Petitioner will earn an excess return while this GCA is in effect. Accordingly, the Commission finds that the approved rates herein should be interim rates subject to refund in the event an excess return is earned.

11. **Tariffs.** A review of the Commission's tariff filings reveals that Petitioner has not filed an updated tariff as previously requested and ordered. Petitioner should file such a tariff at the same time it files its updated schedules in this cause.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

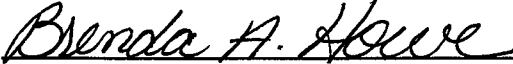
1. The Petition of South Eastern Indiana Natural Gas Company, Inc., for the gas cost adjustment for natural gas service, as set forth in Finding Paragraph No. 8, shall be and hereby is approved, subject to refund in accordance with Finding Paragraph No. 10.

2. Petitioner shall file, with the Gas Division of the Commission, prior to placing into effect the gas cost adjustments herein approved, its tariff and separate amendments to its rate schedule with reasonable reference therein reflecting that such charges are applicable to the rate schedules reflected on the amendment.

3. This Order shall be effective on and after the date of its approval.

HARDY, LANDIS, SERVER AND ZIEGNER CONCUR:
APPROVED: DEC 20 2006

I hereby certify that the above is a true and correct copy of the Order as approved.


Brenda A. Howe
Executive Secretary of the Commission